

RCVD FEB 21 '08

OIL CONS. DIV.

RECEIVED

DIST. 3

Form 3160-3
(February 2005)

JAN 14 2008

FORM APPROVED
OMB No 1004-0137
Expires March 31, 2007UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Bureau of Land Management
Farmington Field Office

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5 Lease Serial No. NMSF 078214	
1b. Type of Well. <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6 If Indian, Allottee or Tribe Name N/A	
2 Name of Operator XTO Energy, Inc.		7 If Unit or CA Agreement, Name and No N/A	
3a Address 382 CR 3100 AZTEC, NM 87410		8 Lease Name and Well No. Picway #2	
3b Phone No. (include area code) 505-333-3100		9 API Well No. 30-045- 34564	
4 Location of Well (Report location clearly and in accordance with any State requirements *) At surface 800' FNL x 815' FEL At proposed prod. zone same		10 Field and Pool, or Exploratory Basin Fruitland Coal	
11 Sec, T, R, M or Blk and Survey or Area (A) SEC 32, T30N, R13W		12 County or Parish San Juan	
13 State NM		14 Distance in miles and direction from nearest town or post office* Approximately 3.2 miles Northwest of Farmington, NM post office	
15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig unit line, if any) 800'		16 No of acres in lease 2440	
17 Spacing Unit dedicated to this well FC: 320 N/2		18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 27'	
19 Proposed Depth 1350'		20 BLM/BIA Bond No. on file UTB-000138	
21 Elevations (Show whether DF, KDB, RT, GL, etc.) 5369' Ground Elevation		22 Approximate date work will start* 02/28/2008	
23 Estimated duration 2 weeks		24. Attachments	

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No 1, must be attached to this form:

- | | |
|--|---|
| 1 Well plat certified by a registered surveyor | 4 Bond to cover the operations unless covered by an existing bond on file (see Item 20 above) |
| 2 A Drilling Plan | 5 Operator certification |
| 3 A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office) | 6 Such other site specific information and/or plans as may be required by the BLM. |

25 Signature <i>Kyla Vaughan</i>	Name (Printed/Typed) Kyla Vaughan	Date 01/11/2008
Title Regulatory Compliance		

Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed)	Date 2/20/08
Title <i>Adm. AFM Minerals</i>	Office	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

NOTIFY AZTEC OGD 24 HRS.
PRIOR TO CASING & CEMENT

Title 18 USC Section 1001 and Title 43 USC Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

*(Instructions on page 2)

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS".

NMOC

FEB 21 2008

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APD/ROW

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

DISTRICT II
1301 W. Grand Ave., Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
1220 South St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

JAN 14 2008

☐ AMENDED REPORT

Bureau of Land Management
Farmington Field Office

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-34564	² Pool Code 71629	³ Pool Name BASIN FRUITLAND COAL
⁴ Property Code 300818	⁵ Property Name PICWAY	⁶ Well Number 2
⁷ GRID No. 5380	⁸ Operator Name XTO ENERGY INC.	⁹ Elevation 5369

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	32	30-N	13-W		800	NORTH	815	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres N/2 320					¹³ Joint or InFM		¹⁴ Consolidation Code		¹⁵ Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div><p>16</p><p>FD 3 1/4" BC 1952 BLM</p><p>N 89°45'56" W 2651.80' (M)</p><p>LAT: 36.77495° N. (NAD 83) LONG: 108.2228° W. (NAD 83) LAT: 36°46'29.8" N. (NAD 27) LONG: 108°13'19.8" W. (NAD 27)</p><p>32</p><p>FD 3 1/4" BC 1952 BLM</p></div>	<div><p>17</p><p>FD 3 1/2" BC 1952 BLM</p><p>800'</p><p>815'</p><p>S 80°09'53" E 2592.80' (M)</p><p>OPERATOR CERTIFICATION</p><p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p><p><i>Kyle Vaughan</i> 1/10/08 Signature Date <i>Kyle Vaughan</i> Printed Name</p></div>
<div><p>18</p><p>FD 3 1/4" BC 1952 BLM</p><p>SURVEYOR CERTIFICATION</p><p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p><p>JANUARY 24 2008 Date of Survey Signature and Seal of Registered Professional Surveyor <i>Rox A. Rush</i> Certificate Number</p></div>	

Submit 3 Copies To Appropriate District Office

District I

1625 N. French Dr., Hobbs, NM 87240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103
May 27, 2004

WELL API NO. <u>30045-34504</u>
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name: <u>PICWAY</u>
8. Well Number <u>#2</u>
9. OGRID Number <u>5380</u>
10. Pool name or Wildcat <u>BASIN FRUITLAND COAL</u>

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other
2. Name of Operator <u>XTO Energy Inc.</u>
3. Address of Operator <u>382 CR 3100 AZTEC, NM 87410 505-333-3100</u>
4. Well Location Unit Letter <u>A</u> : <u>800</u> feet from the <u>NORTH</u> line and <u>815</u> feet from the <u>EAST</u> line Section <u>32</u> Township <u>30N</u> Range <u>13W</u> NMPM <u>NMEM</u> County <u>SAN JUAN</u>
11. Elevation (Show whether DR, RKB, RT, GR, etc.) <u>5369' GROUND ELEVATION</u>
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/> Pit type <u>DRILL</u> Depth to Groundwater <u>>100</u> Distance from nearest fresh water well <u>>1000</u> Distance from nearest surface water <u>>1000</u> Pit Liner Thickness: <u>12</u> mil Below-Grade Tank: Volume <u>3000</u> bbls; Construction Material

12. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: PIT

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
CASING TEST AND CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

XTO Energy plans to construct a lined pit on location for drilling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒ , a general permit ☐ or an (attached) alternative OCD-approved plan ☐

SIGNATURE Kyla Vaughan TITLE Regulatory Compliance DATE 01/11/2008

Type or print name Kyla Vaughan

E-mail address: kyla_vaughan@xtoenergy.com
Telephone No. 505-333-3159

For State Use Only

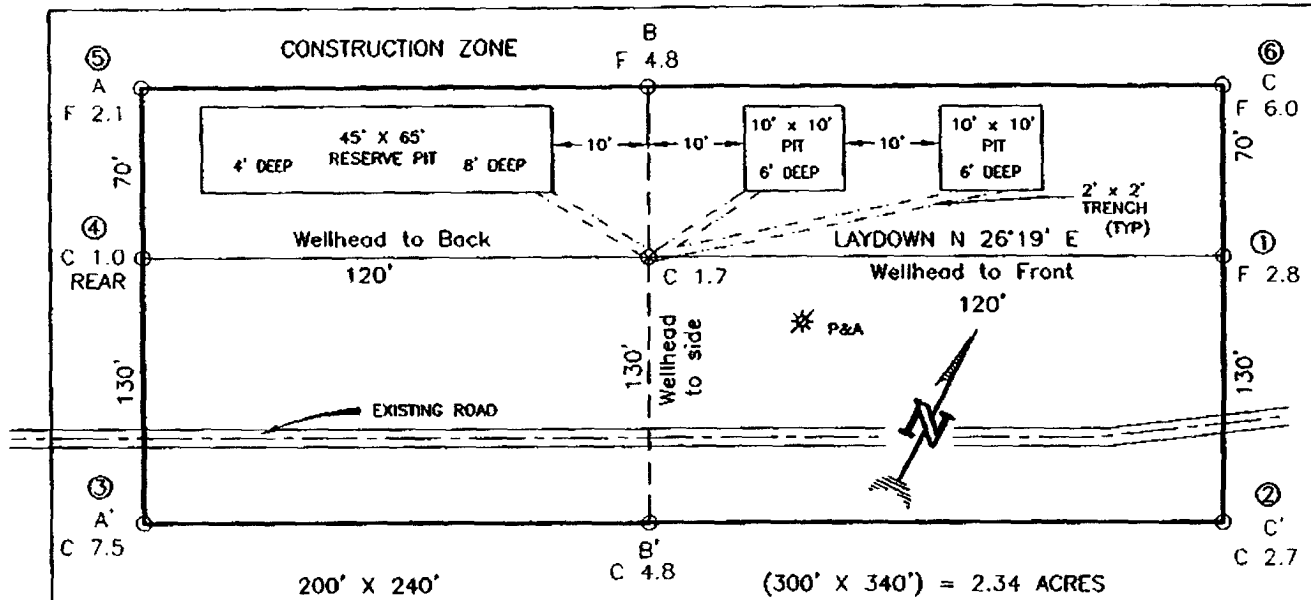
APPROVED BY [Signature] TITLE Deputy Oil & Gas Inspector, District #3 DATE FEB 21 2008

Conditions of Approval, if any:

EXHIBIT D

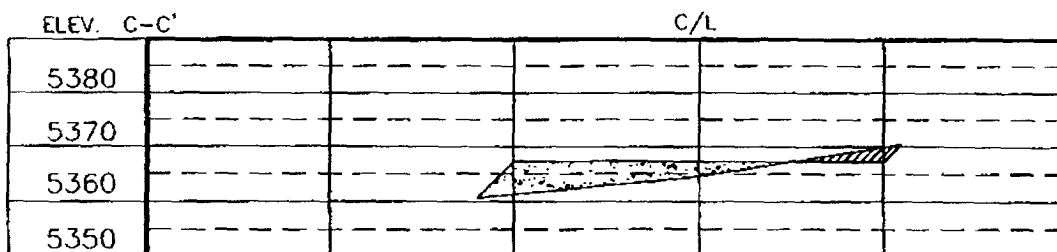
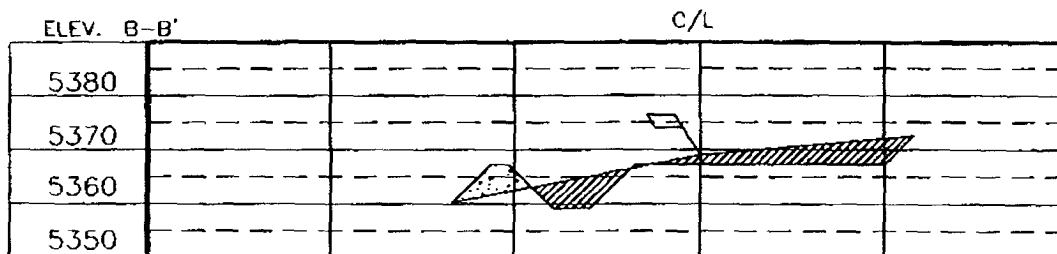
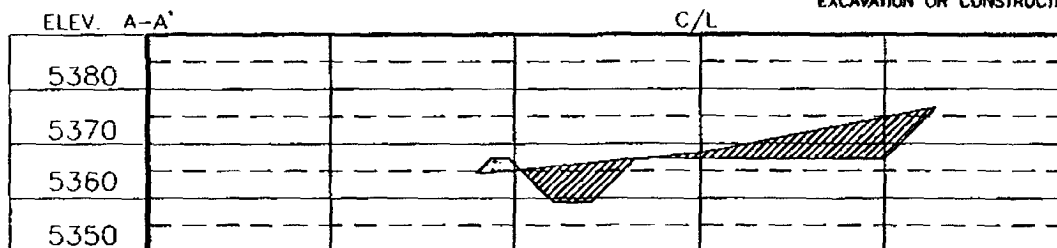
XTO ENERGY INC.
 PICWAY NO. 2, 800 FNL 815 FEL
 SECTION 32, T30N, R13W, N.M.P.M., SAN JUAN COUNTY, N.M.
 GROUND ELEVATION: 5369', DATE: JANUARY 24, 2006

NAD 83
 LAT. = 36.77495° N
 LONG. = 108.2228° W
 NAD 27
 LAT. = 36°46'29.8" N
 LONG. = 108°13'19.8" W



RESERVE PIT DIKE: TO BE 8' ABOVE DEEP SIDE (OVERFLOW - 3' WIDE AND 1' ABOVE SHALLOW SIDE).
 BLOW PIT: OVERFLOW PIPE HALFWAY BETWEEN TOP AND BOTTOM AND TO EXTEND OVER PLASTIC LINER AND INTO BLOW PIT.

NOTE: DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO EXCAVATION OR CONSTRUCTION.



NOTE: CONTRACTOR SHOULD CALL ONE-CALL FOR LOCATION OF ANY MARKED OR UNMARKED BURIED PIPELINES OR CABLES ON WELL PAD AND OR ACCESS ROAD AT LEAST TWO (2) WORKING DAYS PRIOR TO CONSTRUCTION.

REVISION: CHANGE NAME OF CLIENT DATE: 03/27/07 BY: B.L.

Daggett Enterprises, Inc.
 Surveying and Oil Field Services
 P. O. Box 15068 • Farmington, NM 87401
 Phone (505) 326-1772 • Fax (505) 326-6019
 NEW MEXICO L.S. No. 8894
 DRAWN BY: G.V. DATE: 03/16/06
 CHECKED BY: C.R.T. DATE: 03/16/06

EXHIBIT E

XTO ENERGY INC.

Picway #2

APD Data

January 10, 2008

Location: 800' FNL x 815' FEL Sec 32, T30N, R13W

County: San Juan

State: New Mexico

GREATEST PROJECTED TD: 1350'

OBJECTIVE: Basin Fruitland Coal

APPROX GR ELEV: 5369'

Est KB ELEV: 5381' (12' AGL)

1. MUD PROGRAM:

INTERVAL	0' to 225'	225' to 1350'
HOLE SIZE	12.25"	7.875"
MUD TYPE	FW/Spud Mud	FW/Polymer
WEIGHT	8.6-9.0	8.4-8.8
VISCOSITY	28-32	28-32
WATER LOSS	NC	NC

Remarks: Use fibrous materials as needed to control seepage and lost circulation. Pump high viscosity sweeps as needed for hole cleaning. Raise viscosity at TD for logging. Reduce viscosity after logging for cementing purposes.

2. CASING PROGRAM:

Surface Casing: 8.625" casing to be set at $\pm 225'$ in a 12.25" hole filled with 9.20 ppg mud

Interval	Length	Wt	Gr	Cplg	Coll Rating (psi)	Burst Rating (psi)	Jt Str (M-lbs)	ID (in)	Drift (in)	SF Coll	SF Burst	SF Ten
0'-225'	225'	24.0#	J-55	ST&C	1370	2950	244	8.097	7.972	12.73 0	27.41	45.19

Production Casing: 5.5" casing to be set at TD ($\pm 1350'$) in 7.875" hole filled with 9.20 ppg mud.

Interval	Length	Wt	Gr	Cplg	Coll Rating (psi)	Burst Rating (psi)	Jt Str (M-lbs)	ID (in)	Drift (in)	SF Coll	SF Burst	SF Ten
0'-1350	1350'	15.5#	J-55	ST&C	4040	4810	202	4.950	4.825	6.26	7.45	9.65

3. WELLHEAD:

- A. Casing Head: Larkin Fig 92 (or equivalent), 9" nominal, 2,000 psig WP (4,000 psig test) with 8-5/8" 8rnd thread on bottom and 11-3/4" 8rnd thread on top.
- B. Tubing Head: Larkin Fig 612 (or equivalent), 6.456" nominal, 2,000 psig WP (4,000 psig test), 5-1/2" 8rnd female thread on bottom (or slip-on, weld-on), 8-5/8" 8rnd thread on top.

EXHIBIT F

4. CEMENT PROGRAM (Slurry design may change slightly, but the plan is to circulate cement to surface on both casing strings):

A. Surface: 8.625", 24.0#, J-55, ST&C casing to be set at $\pm 225'$ in 12-1/4" hole.

134 sx of Type III cement (or equivalent) typically containing accelerator and LCM, mixed at 14.5 ppg, 1.39 ft³/sk, & 6.70 gal wtr/sk.

Total slurry volume is 186 ft³, 100% excess of calculated annular volume to 225'.

B. Production: 5.5", 15.5#, J-55 (or K-55), ST&C casing to be set at $\pm 1350'$ in 7.875" hole.

1st Stage

LEAD:

± 86 sx of Premium Lite HS (Type III/Poz/Gel) or equivalent, with dispersant, fluid loss, accelerator, & LCM mixed at 12.5 ppg, 2.01 ft³/sk, 10.55 gal wtr/sx.

TAIL:

100 sx Type III or equivalent cement with bonding additive, LCM, dispersant, & fluid loss mixed at 14.2 ppg, 1.54 cuft/sx, 8.00 gal/sx.

Total estimated slurry volume for the 5-1/2" production casing is 334 ft³.

Note: The slurry design may change slightly based upon actual conditions. Final cement volumes will be determined from the caliper logs plus 40%. It will be attempted to circulate cement to the surface.

5. LOGGING PROGRAM:

A. Mud Logger: None.

B. Open Hole Logs as follows: Run Array Induction/SFL/GR/SP fr/TD (1350') to the bottom of the surface csg. Run Neutron/Lithodensity/Pe/GR/Cal from TD (1350') to 3,000'.

6. FORMATION TOPS:

Est. KB Elevation: 5381'

FORMATION	Sub-Sea	MD
Ojo Alamo SS		
Kirtland Shale		
Farmington SS		
Fruitland Formation	4827	554
Lower Fruitland Coal*	4199	1182
Pictured Cliffs SS	4147	1234
TD	4031	1350

* Primary Objective

** Secondary
Objective

***** Maximum anticipated BHP should be <2,000 psig (<0.30 psi/ft) *****

EXHIBIT F

7. COMPANY PERSONNEL:

Name	Title	Office Phone	Home Phone
Justin Niederhofer	Drilling Engineer	505-333-3199	505-320-0158
Jerry Lacy	Drilling Superintendent	505-566-7917	505-320-6543
John Klutsch	Project Geologist	817-885-2800	--

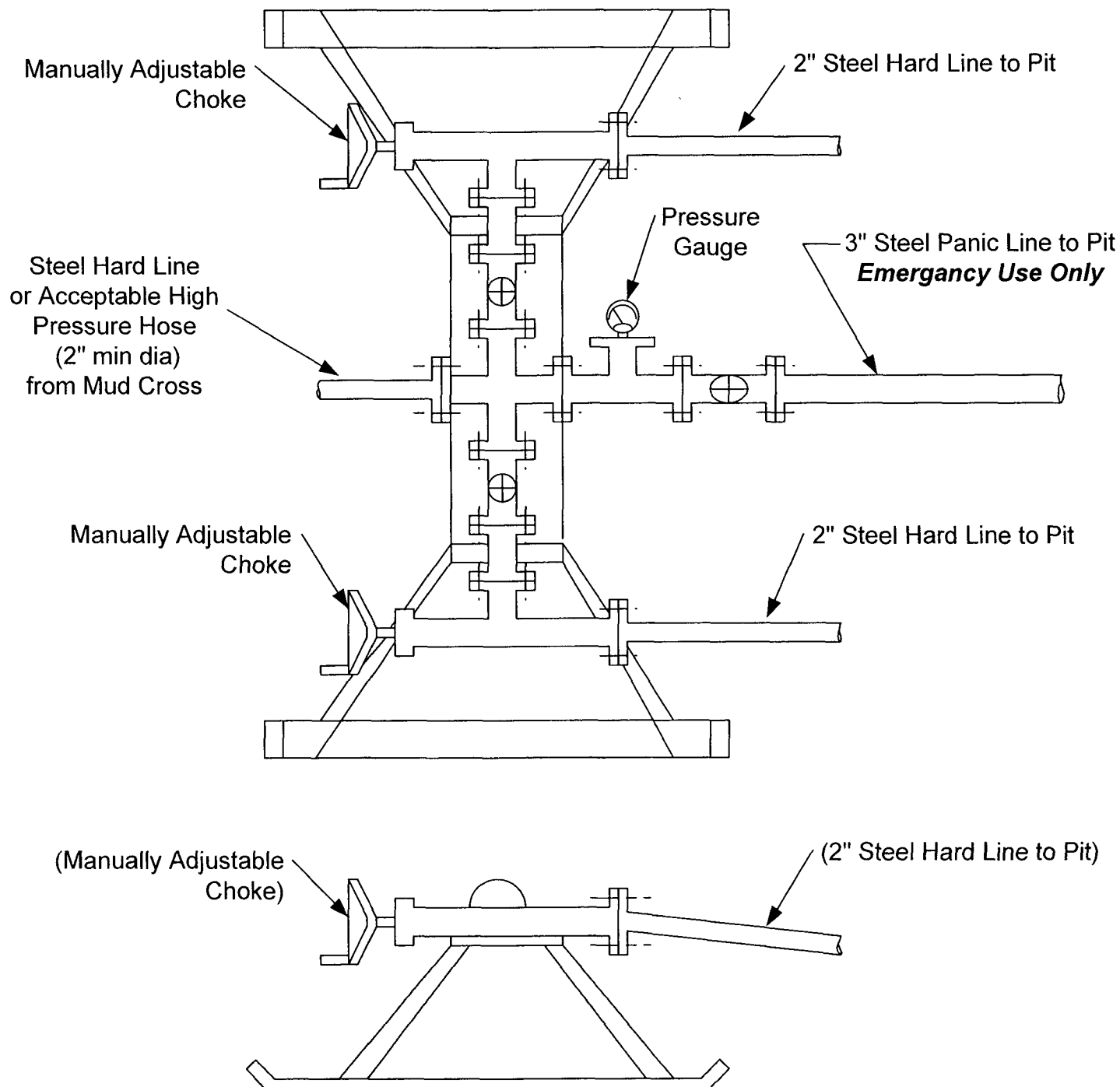
JWE
1/10/08

EXHIBIT **F**

CHOKE MANIFOLD SCHEMATIC FOR DRILLING OPERATIONS CLASS 1 (2M) NORMAL PRESSURE

1. Stake all lines from choke manifold to pit.
2. Pressure test choke manifold after installation.
3. Pressure test manifold at the same time with the BOP Stack. Test manifold to the same test pressures.

TESTING PROCEDURE



BOP SCHEMATIC FOR DRILLING OPERATIONS CLASS 1 (2M) NORMAL PRESSURE

TESTING PROCEDURE

1. Test BOP after installation:

Pressure test BOP to 200-300
psig (low pressure) for 10 min.

Test BOP to Working Press or
to 70% internal yield of surf csg
(10 min) or which ever is less.

2. Test operation of (both) rams on every trip.

3. Check and record Accumulator pressure on every tour.

4. Re-pressure test BOP stack after changing out rams.

5. Have kelly cock valve with handle available.

6. Have safety valve and subs to fit all sizes of drill string on the rig floor and ready to go.

